

UK's regional hotels show rise in profitability

Hotel Bulletin: Q2 2013, which gives an update on the performance of UK hotels, was published this week by global hotel consultancy HVS, Zolfo Cooper and AM:PM.

It was good news for hotels as Q2 shows consistent improvement in RevPAR and cost control resulting in hotels in the regions increasing profitability year-on-year for the first time since the downturn.

New supply levels are low but there are strong levels of hotels in the pipeline, while a number of single asset sales suggest that the gap in valuation expectation is continuing to narrow.

The debt market for hotels has widened to include alternative providers such as debt funds, credit investors and family offices.

Said HVS director Tim Smith: "The performance improvement comes as a welcome relief for hotels in the regions. We need this to continue for a few months to have an impact on both the top and bottom lines, and more importantly increase confidence for both operators and investors. Only then will the recovery be truly underway.

"The lack of new openings is the calm following the storm of openings in 2012. There are plenty of hotels in the pipeline, so this is a blip rather than a trend.

"The budget brands continue to dominate the new build pipelines as they are occupied under leases so have been able to secure funding in the recent past. This is likely to continue until development funding is widely available, which will only happen when confidence returns, which in turn is dependent on a sustained improvement in trading.

"Debt funders are slowly returning to the market and widening the number and type of hotels they will consider funding; there is still a long way to go. Other debt providers, such as insurance companies are slowly entering the real estate market, but are yet to show any interest in hotels," added Smith.

The latest Hotel Bulletin is attached, and includes a City focus on Liverpool, whose recent performance is impressive given that the city's room supply has doubled in the past decade.

Please call Tim Smith at HVS or Russell Kett for further expert comment on the UK's hotel market.

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